

Message Text

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ACTION EB-07

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C O N F I D E N T I A L TOKYO 11804

E.O. 11652: GDS

TAGS: ETRD MTN JA

SUBJ: AMBASSADOR YEUTTER CALLS ON FOREIGN MINISTRY OFFICIALS

1. BEGIN SUMMARY. DURING TOKYO AUTO AND MTN CONSULTATIONS JULY 28-30, AMBASSADOR YEUTTER MADE SEPARATE CALLS ON DEPUTY MINISTER YOSHINO AND DIRECTOR GENERAL MOTONO AT FOREIGN MINISTRY, AND DIRECTOR GENERAL DAN AT FINANCE MINISTRY. THESE CONTRIBUTED TO BROADER UNDERSTANDING OF MTN ISSUES AND WERE USEFUL OPPORTUNITY TO EXPLAIN U.S. VIEWS ON NEED FOR CONCLUDING MTN IN 1977 AS WELL AS ON SPECIFIC ISSUES SUCH AS THE TARIFF CUTTING FORMULA, THE NEED FOR AGRICULTURAL AS WELL AS INDUSTRIAL TRADE CONCESSIONS, AND ON BILATERAL TRADE ISSUES. END SUMMARY.

2. AMBASSADOR YEUTTER CALLED ON JAPANESE FOREIGN MINISTRY ECONOMIC BUREAU DIRECTOR GENERAL MOTONO ON MORNING OF JULY 28 BEFORE BEGINNING OF MTN CONSULTATIONS. HE WAS ACCOMPANIED BY MR. KELLY OF STR, EC MINISTER BUTTON AND E COUNS
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PIEZ. JAPANESE MOF OFFICIALS MIZOGUCHI, MATSUDA, OKAMOTO

AND KITAJIMA WERE ALSO PRESENT.

3. MOTONO WELCOMED YEUTTER, SAYING THAT BILATERAL CONSULTATIONS WOULD BE WELCOME ENCOURAGEMENT FOR JAPANESE. YEUTTER CONFIRMED THAT HIS PURPOSE WAS TO ENCOURAGE EARLY ACTION ON THE MTNS IN COMPLIANCE WITH COMMITMENTS GIVEN AT RAMBOUILLET AND PUERTO RICO. HE SAID THAT THE ECONOMIC SITUATION IN 1977 WOULD BE FAVORABLE TO CONCLUSION OF TRADE NEGOTIATIONS. MOTONO OBSERVED THAT THE WORLD ECONOMY HAD OVERCOME THE OIL SHOCKS AND SHOULD BE READY FOR ACTION ON THE MTNS NEXT YEAR.

4. BUTTON STRESSED THE BIPARTISAN NATURE OF OUR COMMITMENT TO THE MTNS. YEUTTER SAID THAT OUR POSITIONS IN THE MTNS WERE BASED ON CLOSE CONSULTATIONS WITH THE CONGRESS, INCLUDING MEMBERS OF BOTH PARTIES.

5. MOTONO ASKED ABOUT PROSPECTS FOR A MINISTERIAL MEETING EARLY IN 1977. YEUTTER CONFIRMED THAT WE HOPE SUCH A MEETING COULD BE ORGANIZED TO INCLUDE MINISTERS FROM ALL 94 PARTICIPANTS. HE SAID THAT THE EC REACTION TO THE IDEA HAS INITIALLY BEEN POSITIVE AND THAT EVEN THE FRENCH WOULD EVENTUALLY AGREE TO A MINISTERIAL, PROBABLY IN FEBRUARY.

6. YEUTTER STATED THAT AGRICULTURAL ISSUES WOULD BE THE KEY TO THE MTNS. HE STATED HIS OPINION THAT MANY IN THE EC RECOGNIZED THE NEED FOR CHANGES IN THE EC COMMON AGRICULTURAL POLICY. THAT POLICY WILL BE HARD TO CHANGE, BUT, UNLIKE THE KENNEDY ROUND, THE EC MUST MAKE AGRICULTURAL CONCESSIONS. WITHOUT CHANGES IN THE CAP, THE U.S. IS NOT PREPARED TO CONCLUDE THE MTNS. BUTTON OBSERVED THAT AGRICULTURAL CONCESSIONS FROM JAPAN WOULD ALSO BE NECESSARY. YEUTTER SAID THAT JAPANESE QUOTA RESTRICTIONS ON AGRICULTURAL PRODUCTS ARE ILLEGAL UNDER GATT AND WOULD HAVE TO BE REMOVED. HE URGED MOTONO TO BEGIN PREPARATIONS FOR SUCH ACTION BY 1978. MOTONO SAID THAT JAPANESE OFFICIALS WOULD HAVE TO CONSIDER CAREFULLY THE IMPACT OF ANY SUCH CONCESSIONS ON THE LDP GOVERNMENT AS WELL AS ON AGRICULTURE.

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7. MOTONO RAISED THE ISSUE OF THE COLOR TELEVISION CASE BEING INVESTIGATED BY THE INTERNATIONAL TRADE COMMISSION (ITC). HE SAID THAT TONS OF DOCUMENTS ARE BEING CALLED FOR BY THE INVESTIGATORS, EVEN THOUGH ALL ASPECTS OF THE CASE HAVE ALREADY BEEN THOROUGHLY STUDIED BY THE TREASURY DEPARTMENT AND A U.S. DISTRICT COURT. YEUTTER RESPONDED THAT THE ITC ACTED WITH COMPLETE INDEPENDENCE AND THE

EXECUTIVE BRANCH HAD NO WAY TO INFLUENCE THE INVESTIGATION. HE EXPLAINED THAT THE CONCLUSIONS OF THE ITC MIGHT BE EXPECTED IN ABOUT A YEAR WHEN THE PRESIDENT WOULD HAVE THE LEGAL AUTHORITY TO DETERMINE APPROPRIATE ACTION. ANY VIEWS WHICH THE JAPANESE MIGHT HAVE ON THE ITC INVESTIGATION OUGHT TO BE PRESENTED BY THE GOJ DIRECTLY TO THE ITC.

8. THE MEETING CONCLUDED AFTER A DISCUSSION OF THE DETAILED AGENDA FOR THE FORMAL CONSULTATIONS SCHEDULED TO BEGIN THE FOLLOWING DAY.

9. AT MINISTRY OF FINANCE AMB YEUTTER MET WITH NEWLY APPOINTED DIRECTOR GENERAL, CUSTOMS AND TARIFF BUREAU, HIROSUKE DAN AND HIS STAFF. DAN DENIED RECENT PRESS REPORTS THAT GOJ HAD FINALLY DECIDED UPON A TARIFF-CUTTING FORMULA AND SAID THAT THIS WAS STILL UNDER CONSIDERATION EVEN WITHIN MOF. YEUTTER EXPLAINED ADVANTAGES FOR JAPAN'S TRADE OF U.S. FORMULA COMPARED WITH THAT OF EC. HE URGED JAPAN TO DECIDE ON A FORMULA CONSIDERABLY MORE LIBERAL THAN THAT TABLED BY EC, PERHAPS BETWEEN U.S. AND EC FORMULAE SO THAT AT THE END OF 1977 WHEN THEN THE U.S. HOPED THAT TOKYO ROUND WOULD BE COMPLETED, TARIFF CUTS WILL BE AT LEAST EQUAL AND HOPEFULLY GREATER THAN IN THE KENNEDY ROUND. YEUTTER EMPHASIZED TO DAN THAT IT WAS INDISPENSABLE FOR U.S. THAT TARIFF CUTS APPLY EQUALLY TO AGRICULTURAL AND INDUSTRIAL PRODUCTS. IN REPLY TO QUESTIONS, YEUTTER SAID (1) USG WAS WILLING TO CONSIDER CHANGING ITS CUSTOMS VALUATION SYSTEM TO AMENDED BDV AS WELL AS ABANDONING ASP BUT WOULD EXPECT TO RECEIVE COMPENSATION IN RETURN AND (2) USG WOULD NOT APPLY GSP TO SENSITIVE ITEMS, LIKE TEXTILES, WHICH WERE BEING HANDLED SEPARATELY. DAN WAS ASSURED THAT THE CURRENT USG PROCEDURES FOR INFORMING AND CONSULTING

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WITH THE CONGRESS AND ALL OF THE MANY BUSINESS CONSULTATIVE GROUPS DURING EVERY PHASE OF THE MTN NEGOTIATIONS WERE EXPRESSLY FOR THE PURPOSE OF INSURING THAT THE CONGRESS WILL RATIFY THE AGREEMENT FINALLY REACHED IN THE TOKYO ROUND.

10. IN USEFUL SESSION JULY 30 DEPUTY FOREIGN MINISTER YOSHINO NOTED THE FAVORABLE TIMING YEUTTER VISIT AND SAID IT HAD HELPED FOREIGN MINISTRY IN ITS EFFORTS GET OTHER AGENCIES TO CONCENTRATE ON MTN. YEUTTER REVIEWED U.S. POSITIONS ON NECESSITY FOR CONCESSIONS ON AGRICULTURAL AS WELL AS INDUSTRIAL TRADE AND FOR EARLY AGREEMENT ON A TARIFF CUTTING FORMULA IF MTN IS TO BE CONCLUDED IN 1977 AS AGREED. YOSHINO PROMISED FUTURE COOPERATION WITH U.S. ON TARIFF FORMULA AND OTHER ISSUES

PENDING IN THE MTNS.
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